



GARY R. HERBERT
Governor

GREGORY S. BELL
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

January 26, 2011

CERTIFIED RETURN RECEIPT
7005 2570 0000 4801 6201

Bret Clark
Hub Research & Development Company
377 West 1500 South
Salt Lake City, Utah 84115

Subject: Review of Reclamation Surety, Hub Research & Development Co., Bret Clark Mine, S/015/0043, Emery County, Utah

Dear Mr. Clark:

The last surety estimate for the Miller Rock/Bret Clark Mine was \$5,000.00. The surety amount needs to be adjusted to account for changes in reclamation costs.

The Division reviewed your reclamation cost estimate that was received on February 16, 2010. The reclamation cost estimate contained several discrepancies and excluded some items:

- On Worksheet 3, a backhoe is listed for the equipment type that will be used to move 800 LCY of material 120 feet, but on the equipment list there is no backhoe, only an excavator. Usually excavators are not used to move material 120 feet by themselves. Instead excavators are used to load trucks to move the material.
- On Worksheet 10, there are several mathematical mistakes. For example, $1.25 \text{ LCY} \times 1.0$ does not equal 1.0 LCY. In addition, cycle times—the time needed to for an excavator to load swing and load/deposit material—usually does not take 60 minutes. Typically the cycle time for an excavator is under one minute. The efficiency factor is usually 0.83 (assume the equipment is operated 50 minutes per hour) instead of 120. The volume of material listed to be moved is 20 LCY but the time needed to complete the task is 20 hours.
- On Worksheet 12, the hourly production was not calculated. In addition 3 acres divided by 0.38 acres/hour does not equal 8 hours.
- Please list equivalent Caterpillar models so the Division can check productivity with the Caterpillar Handbook.
- The reclamation cost estimate did not include a line item such as portal closure and disposal of building debris.
- Mobilization and demobilization costs for each piece of equipment must also be included. The Division assumes the equipment will come from the Wasatch Front. During boom times local contractors might be unable to bid on a reclamation contract because of prior commitments.

The BLM calculated the reclamation bond to be \$25,400 which is the same as the Division's calculation for a five-year escalation of the surety. Details of the Division's calculations were provided in a letter dated September 29, 2009.

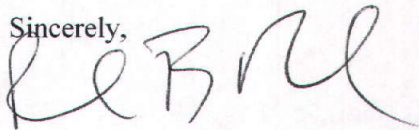
As an alternative to increasing the surety amount to this level, the reclamation liability can be decreased by reclaiming a portion of the site and amending the Notice of Intention to Commence Small Mining Operations to show the decreased acreage. If you decide to pursue this option, please contact the lead inspector Wayne Western at 801-538-5263. In particular, the reclamation liability would be reduced if some of the mine waste, old vehicles, and other items were removed from the site.

On a different topic, the Division asks that you submit a new Notice of Intention to Commence Small Mining (NOI) for the area. The Division has been using a plan of operations submitted to the BLM in 1995 which is outdated and does not contain the detail needed. In particular, there is no site location map, and while there is an operations map showing many of the facilities, it does not show boundaries of the permitted area and adjacent areas for which you are not responsible. This is particularly important for this site because there are two nearby operations, and it is impossible with the current map to know the exact boundary between your operation and that of the Emeryide mine. A blank copy of form MR-SMO is included for your use.

Please provide the additional surety or perform the reclamation no later than April 11, 2011. Please contact the bond coordinator, Penny Berry, at 801-538-5291 or by e mail at bondcoordinator@utah.gov for information about submitting additional bond. The BLM holds your current bond with the Division named as a co-beneficiary. You may submit a rider to increase the bond held by the BLM, or you may also submit a letter of credit, a certificate of deposit, cash, or a surety bond for either the increased or the total amount. If a new surety was issued for the total amount, the Division would give its concurrence to the BLM for releasing the existing surety. Bond forms are available on the Internet at <http://www.ogm.utah.gov/minerals/MINERALSFORMS.htm>. The reclamation contract will need to be replaced with a newer, much simpler form.

Thank you for your help in keeping the surety current. If you have any questions concerning this letter, please contact me at 801-538-5261 or Wayne Western at 801-538-5263.

Sincerely,



Paul B. Baker
Mining Program Manager